



MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
March 1, 2011
980 9th Street, Conference Center, 2nd Floor
Sacramento, California 95814

Chairman Jimenez called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:30 p.m.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Augustin Jimenez represented the Secretary of the Business, Transportation and Housing Agency.
Pedro Reyes represented the Director of the Department of Finance.
Francisco Lujano represented the State Treasurer.
Leslie Lopez represented the Secretary of the State and Consumer Services Agency.
D. Everett Rice, Governor's appointee.

The following I-Bank staff members were in attendance:

Stan Hazelroth, Roma Cristia-Plant, Molly Arnold, Diane Cummings and Tara Dunn.

2. Executive Director's Report.

Executive Director Stan Hazelroth reported to the Board that:

- Fitch Ratings completed its surveillance of the Infrastructure State Revolving Fund (ISRF) Program Bonds and affirmed its "AA+" rating, which is one notch below a AAA rating, and indicated the following highlights from the rating agency report:
 - ❖ The program exhibits solid pool collateralization from loan repayments and debt service reserves.
 - ❖ Program management demonstrates solid loan monitoring procedures.
 - ❖ Continued performance of the loans is important to sustain bond cash flow coverage.

Mr. Hazelroth stated that staff has provided Moody's Investor Service updated ISRF Program loan portfolio information, and that Moody's advised staff that it will conduct additional surveillance on several individual program borrowers and expects to complete its bond annual surveillance review in a few months. He added that I-Bank staff has not heard from Standard and Poor's regarding its annual surveillance of the ISRF Program bonds.

- Negotiations between the City of San Francisco and JP Morgan Chase in relation to \$135 million in conduit revenue bonds issued by the I-Bank in 2005 for the benefit of the Asian Art Museum Foundation of San Francisco resulted in new bonds being issued by another issuer for the benefit of the Foundation, and that the I-Bank's bonds are no longer outstanding.
- The I-Bank worked closely with the State Treasurer's Office on comments filed by the State Treasurer the previous week objecting to certain proposed Security and Exchange Commission (SEC) Regulations regarding the registration of Financial Advisors, and SEC rules implementing certain requirements of the Dodd-Frank Act. Mr. Hazelroth

noted that a copy of the State Treasurer's comments were provided to the Board members in their binders.

- He will be chairing the IMN conference on March 14-16 in Huntington Beach, California, is traveling to New York City for a live Bloomberg interview the middle of March, and has been invited to Istanbul for the World Class Cities Conference in June.

Chairman Jimenez asked when the comment period for the SEC closes, in which Ms. Arnold answered that the period of SEC comments closed February 25, 2011.

Consent Items:

3. Approve minutes from the meeting held on January 25, 2011.

Chairman Jimenez called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve this consent item. Mr. Rice moved to approve the minutes and Mr. Lujano seconded the motion. Mr. Reyes abstained. The minutes were approved.

Action Items:

4. Resolution No 11-03 approving the sale, issuance and delivery of tax-exempt 501(c)(3) refunding bonds in an amount not to exceed \$64,000,000 to refund the outstanding California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds (Orange County Performing Arts Center), Series 2008C, initially issued for the benefit of Orange County Performing Arts Center, doing business as Segerstrom Center for the Arts, the proceeds of which were used to finance and refinance an economic development facility in the City of Costa Mesa, California.

Ms. Dunn presented a staff report describing the request to approve up to \$64 million of 501(c)(3) bonds to refund the Variable Rate Revenue Bonds, Series 2008C previously issued by the I-Bank for the Orange county Performing Arts Center in July of 2008. Ms. Dunn explained that the bonds issued previously by the I-Bank in 2004, 2007, and 2008 on behalf of the Center financed and refinanced the construction of the Center's performing arts facilities, which were completed in March 2007. Ms. Dunn explained that the refinancing will mitigate interest rate risk associated with Allied Irish Banks, p.l.c, the letter of credit provider for the 2008C Bonds. The Center has experienced increased interest costs due to Standard & Poor's current "BB" rating of Allied Irish Banks, p.l.c. She explained that the rating of the refunding bonds is expected to be at least "A-" and that the Center will pledge its gross revenues to the bonds. Ms. Dunn also stated that although the Center has reported cash flow deficits, the Center has advised I-Bank staff that the it has \$105 million in net assets available to make bond payments. She concluded her report by listing the benefits of the refunding which includes expected savings for the Center of between \$15,000 to \$60,00 per month.

Chairman Jimenez called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No 11-03. Mr. Reyes moved to approve the resolution and Mr. Lujano seconded the motion. The Board unanimously approved the resolution.

5. Resolution No. 11-04 approving an Infrastructure State Revolving Fund Program financing for the McKinleyville Community Services District in an amount not to exceed \$1,000,000 to finance the Ramey Pump Station Upgrade Project, a public development facility to be located in the County of Humboldt, California.

Ms. Cummings presented a staff report describing the request to approve financing in the amount of \$1 million for the Ramey Pump Station Upgrade Project for the McKinleyville Community Services District, and that the project includes the installation of two new vertical turbine pumps equipped with variable frequency drives and the tie-in of those pumps to existing lines, upgrading electrical service equipment to support the additional load, installation of a new generator, construction of a new concrete pad and the installation of an emergency chlorination system. She reported that the District's application states that the existing pumps operate near capacity during times of peak summer demand, the hours of highest electricity costs, reducing operating efficiencies to unsatisfactory levels and possibly causing the pumps to operate outside their design condition. Ms. Cummings stated that the project supports several elements of the Draft Humboldt County General Plan which includes the community's planned residential and commercial expansion including industrial and commercial development of a 53 acres business park near the Arcata-Eureka Airport. She concluded her report by outlining the terms of the loan.

Chairman Jimenez acknowledged Mr. Norman Shopay, General Manager of the McKinleyville Community Services District, who thanked I-Bank staff for their work on the financing and thanked the I-Bank Board Members for their consideration of the project. Chairman Jimenez then called for questions or comments from the Board or the public. Hearing none, he entertained a motion to approve Resolution No 11-04. Mr. Lujano moved to approve the resolution and Ms. Lopez seconded the motion. The Board unanimously approved the resolution.

Other Non-Action Business.

Chairman Jimenez called for any other business; there was none.

Public Comment.

Chairman Jimenez called for any public comment; there was none.

Adjournment.

Chairman Jimenez declared the meeting adjourned at approximately 1:50 p.m.